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ON PAGE A-16*file*
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The Case of the Oil Forecast

THE SENATE SELECT Committee on Intelligence has now published a remarkably charitable verdict on the affair of the CIA's oil forecasts last year. Charity is a great virtue, to be sure. But it is sufficiently uncommon—particularly in the lavish application represented here—that it attracts attention, and raises a question: What, precisely, is happening to the relationship between the committee and the agency that it oversees?

Last spring, when President Carter was preparing the way for his energy program, he told a news conference that the CIA had given him a forecast showing the coming oil shortages to be even more dire than the world had expected. There was an immediate clamor for the report, and the administration made it public. The figures turned out to be fairly close to most other forecasts, with one startling exception: The CIA said that by 1985 the Soviet Union would require oil imports in the range of 3.5 to 4.5 million barrels a day. That statement was immediately attacked by specialists in Soviet economic policy. The Soviets, they argued, would never sacrifice hard currency on the scale necessary to pay for those imports. Further, there was no reason to think that the Soviets would ever permit themselves to become dependent to that degree on foreign sources of a vital commodity.

The president had only intended, of course, to give momentum to his energy plan. As it turned out, the CIA estimates had exactly the opposite effect. The furor over the figures led to wider questioning of the basis for the plan. The incident also led people to remember that the principal author of the energy plan, James R. Schlesinger, was a former director of the CIA. Was the forecast deliberately contrived by the White House?

The Select Committee on Intelligence has access to the internal processes of the CIA, and says that the forecast was an honest mistake. The committee's

staff has traced this particular forecast back through the fall of 1976—much too early, it concludes, to have been concocted to bolster Mr. Carter's bill. But then the staff report goes on—charitably, as we say—to argue that it was never intended as a firm prediction of actual Soviet imports. It only represented, according to this congressional view, what the Soviets might need if they did nothing to conserve oil at home. That, unfortunately, isn't what the report said when it was published.

Forecasts of oil markets have to be graded as conditional and speculative. Through the past three administrations, presidents have repeatedly got themselves into trouble stripping the necessary qualifications off these statistics, and overselling them. These projections always tend to be heavily influenced by recent experience. At the beginning of this decade, the standard forecast, in which the CIA joined, suggested a slow and steady decline in oil prices. The analysts overlooked the enormous rise in oil consumption in the industrial countries. In a reaction to the crisis of 1973-4 and the embargo, many analysts began to predict shortages within five years. But, largely because of higher prices, consumption is no longer rising as fast as it did. The effect is to push the shortages—which, emphatically, remain a real and highly dangerous possibility—into later years.

The Select Committee's staff report missed the point of the incident. Rather than trying to explain away a bad judgment by the CIA, it might usefully have looked a little higher. It might have pointed out that a president misuses intelligence data when he rummages around in the reports for fragments that can be bent to an immediate tactical advantage. When he misuses intelligence data, he threatens to undercut the integrity of his larger political purposes. There could hardly be a clearer, or more expensive, example than the subsequent fate of the energy bill.

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